



Swiss Re Economic Risk Survey: risk of deflation is low, but uncertainties about global economic recovery and stock markets remain

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Zurich, 14 May 2003 - Swiss Re's fifth survey of economists' opinions shows that the risk of global deflation is low. The 'Economic Risk Survey'¹, conducted in April, did find, however, that the risk to stock markets both in Europe and the US has increased substantially compared to its last survey in October.

The twice annual 'Economic Risk Survey' takes the opinions of 45 economists from Europe and the United States and focuses on the probability of economic performance substantially deviating from the general economic consensus.

In this April's survey the participants considered the risk of deflation to be small. Respondents rated the risk of falling prices over the next five years to be around 3% both in the US and Europe. The likelihood of a period of very low inflation has decreased over the last six months. Inflation below 1% in the short term has a probability of 8% for the US and 9% for Europe. In last October's survey estimates were 18% for the US and 12% for Europe.

According to the economists, the risk of a further stock market crash has, however, increased both in the US and Europe over the last six months. The estimated probability of a stock market crash in 2003 – defined as a 25% decline in a major stock market index – is 21% for the US (up from 16% in October) and 23% for Europe (up from 17%). The likelihood of a persistent bear market in 2003 and not recovering to 2002 year-end levels until after 2012, has increased to 6% for the US (from 4%), but remained unchanged at 5% for Europe.

The global economy has shown some additional signs of weakness over the past few months, with the military conflict in Iraq contributing to a delay in the expected recovery. Reflecting this, the 45 survey respondents give a probability of 14% for US growth being less than

¹ The survey was undertaken within the time period 28 March to 11 April. The results may thus be influenced by the military actions in Iraq.

1% during 2003 (unchanged from October), while the probability of this low growth rate in Europe is 38% (up from 25% in October).

Notes for editors

Swiss Re is one of the world's leading reinsurers and the world's largest life and health reinsurer. The company operates through more than 70 offices in over 30 countries. Swiss Re has been in the reinsurance business since its foundation in Zurich, Switzerland, in 1863. Through its three business groups Property & Casualty, Life & Health and Financial Services, Swiss Re offers a wide variety of products to manage capital and risk. Traditional reinsurance products, including a broad range of property and casualty as well as life and health covers and related services, are complemented by insurance-based corporate finance solutions and supplementary services for comprehensive risk management. Swiss Re is rated "AA+" by Standard & Poor's, "Aa1" by Moody's and "A++" by AM Best.

How to obtain a copy of the "Swiss Re Economic Risk Survey":

The study is available electronically on Swiss Re's website: <http://www.swissre.com> ("Research & Publications", "sigma insurance research", "Additional research").

This news release is also being distributed by e-mail; to receive a copy, please contact sigma@swissre.com. (please mention "Economic Risk Survey").

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